2000 Annual Report

Rogers Sugar Income Fund

Rogers Sugar Income Fund

QUARTERLY DISTRIBUTIONS

(in thousands, except per unit amounts)	ACTUAL 2000 $	ACTUAL 2000 $ Per Unit	ACTUAL 1999 $	ACTUAL 1999 $ Per Unit
First quarter	7,886	.1900	10,013	.24125
Second quarter	8,301	.2000	10,013	.24125
Third quarter	8,508	.2050	7,886	.19000
Fourth quarter	7,886	.1900	7,886	.19000
Total	$32,581	$.7850	$35,798	$.86250

COVER DESCRIPTION

The harvesting and processing of beets involves several steps, which begins with the "topping" phase pictured first in the cover montage. Once the green leaf material has been cut from the beets, the beets are lifted from the ground, stripped of superficial dirt and deposited in trucks for shipment to Rogers' piling grounds. Once on site, the beets are stacked in mountain-like piles for processing at a later date.

The picture on the back cover shows beets being piled at the Taber yard with ventilation equipment in place. Ventilation of the beet pile will prevent deterioration of the beets until final processing.

ANNUAL MEETING

The annual meeting of unitholders will be held at 1:30 P.M., February 8, 2001 at the Toronto Marriott Eaton Centre, 525 Bay Street, Toronto, Ontario.

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Rogers Sugar Income Fund

MESSAGE TO UNITHOLDERS

Rogers Sugar Income Fund ("the Fund") completed its third year of operation.

During the fiscal year ended September 30, 2000, the Fund received $32,000,000 in interest income as well as $1,037,620 as a return of capital from Rogers Sugar Ltd. ("Rogers"), the operating company of the Fund. After deducting administrative costs, the Fund distributed $32,581,268 ($0.7850 per unit) to unitholders during the year, $0.0775 per unit less than last year. In June 1999, the Fund had reduced its quarterly distribution to $.1900 per unit per quarter, which it maintained throughout the year, except for the second and third quarters, when additional distributions of $.025 in total were made from the Taber Cash Pool as return of capital.

The previous operational deficiencies of the Taber facility were corrected and the plant operated efficiently during the year. The low price of world raw sugar prevented Rogers from obtaining the 50,000 acres of beet plantings it was anticipating, and therefore limited the benefits to be obtained from the expansion of the Taber facility. Higher energy costs also reduced Rogers' profitability in the last fiscal quarter of the year.

Future distributions to the unitholders are dependent upon Rogers' earnings and cash flows. In fiscal 2001, it is expected that margins from the Taber factory will improve as world raw sugar prices rise, but a substantial increase in natural gas prices will negatively impact the current level of distributions.

For the convenience of unitholders, we are pleased to include the 2000 Annual Report of Rogers in this document, commencing on page 13.

On behalf of the Trustees,

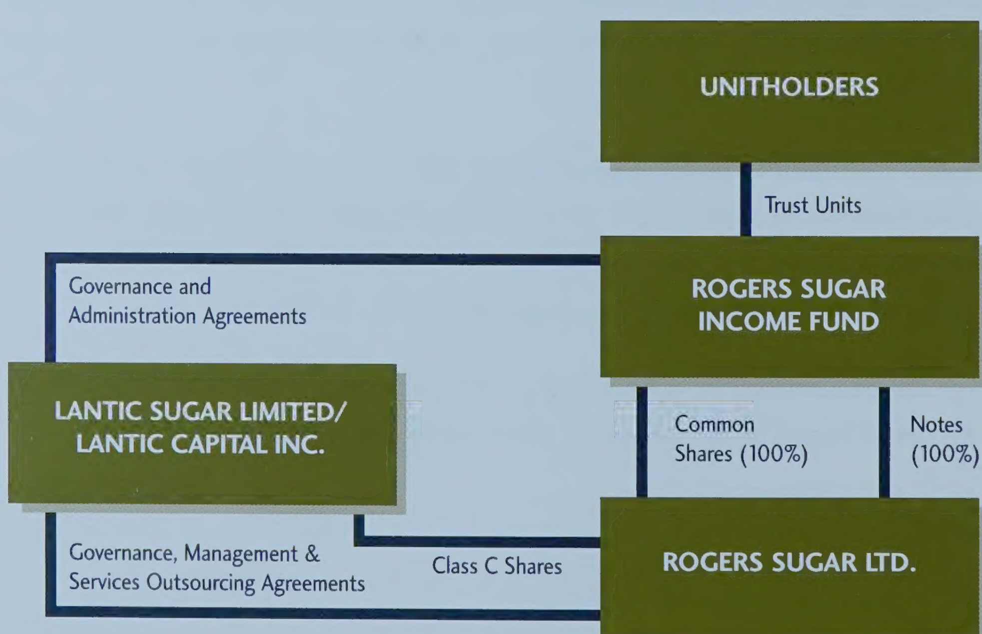
David C. Dingwall, P.C., Q.C.
Chairman

Overview
THE FUND

The Fund, an open-ended, limited purpose trust established under the laws of the Province of Ontario, was created to hold all of the common shares and 11.5% subordinated notes (the "Notes") of Rogers, the leading refiner, processor, distributor and marketer of refined sugar in Western Canada.

The Fund commenced operations on October 8, 1997, with the issue of 41,504,800 units. Net proceeds of the offering were used to acquire all of the common shares and Notes of Rogers. Income derived from the Fund from these investments, net of expenses, is distributed to unitholders of the Fund on a quarterly basis.

The following chart illustrates the primary structural and contractual relations between the unitholders, the Fund, Rogers and Lantic Sugar Limited.



GOVERNANCE

The Declaration of Trust of the Fund provides that the Trustees may in respect of the assets, activities and affairs of the Fund, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner.

The Fund is governed by not less than three, nor more than seven Trustees, who are appointed annually at the annual general meeting of the unitholders. At present, there are five Trustees.

The Trustees are responsible for, among other things: acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of Rogers; maintaining records and providing reports to unitholders; supervising the activities and managing the investments and affairs of the Fund; and effecting payments of distributable cash from the Fund to unitholders.

Communication with unitholders on matters relating to the Fund is primarily the responsibility of the Administrator, Lantic Sugar Limited, through its Chief Executive Officer and Chief Financial Officer. Regular meetings and discussions are held between these individuals and industry analysts, brokers, institutional investors, as well as other interested parties.

DISTRIBUTION AND TAXATION

The Fund is required to distribute to unitholders, on a quarterly basis, interest and dividend income received from Rogers, less the Fund's administrative expenses.

The Fund is a taxable trust under the Income Tax Act (Canada) and is subject to taxation on its income for the year, less the portion paid or payable to unitholders. As anticipated, all income should be paid to unitholders in the year received, and as such the Fund should have no taxable income.

Amounts paid or payable by the Fund in a calendar year are taxable in the hands of the unitholders as interest and dividend income.

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the financial statements of the Fund and of the operating company, Rogers.

RESULTS OF OPERATIONS

Total cash distribution declared to unitholders for the year ended September 30, 2000 was $32.6 million ($0.7850 per unit). This distribution was $0.0775 per unit less than last year's. Except for $0.025 per unit in return of capital, all other distributions were interest income to the unitholders. Administration expenses were lower than last year, due mainly to lower expenses related to legal fees and other fees related to the annual meeting.

LIQUIDITY & CAPITAL RESOURCES

The Fund's operating cash flows are generated entirely from interest on the Notes and dividends or return of capital of Rogers. Quarterly distributions are made to unitholders based on the cash received less working capital requirements for administrative expenses.

On an on-going basis, the Fund does not require capital resources to maintain its investment in Rogers.

OUTLOOK

The Fund is totally dependent upon Rogers for cash availability for distribution. The annual interest payment on the Notes is $32.0 million. Dividends received on the common shares will fluctuate with Rogers' results and its requirements for maintenance capital expenditures, bank financing and working capital.

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Rogers Sugar Income Fund and all the information in this annual report pertaining to the Fund are the responsibility of management and have been approved by the Trustees.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Management is also responsible for maintaining systems of internal and administrative controls to provide reasonable assurance that the Fund's assets are safeguarded, that transactions are properly executed in accordance with appropriate authorization and that the accounting systems provide timely, accurate and reliable financial information.

The Trustees are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Trustees perform this responsibility at meetings where significant accounting, reporting and internal control matters are discussed, and the financial statements and annual report are reviewed and approved.

Financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the unitholders. The Auditors' Report outlines the scope of their examination and their independent professional opinion on the fairness of these financial statements.

Dallas H. Ross
Trustee

James S.A. MacDonald
Trustee

November 3, 2000

Auditors' Report to the Unitholders of the Rogers Sugar Income Fund

We have audited the balance sheets of Rogers Sugar Income Fund as at September 30, 2000 and 1999 and the statements of earnings and distributable cash, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at September 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Montréal, Canada
November 3, 2000

Balance Sheets

SEPTEMBER 30, 2000 AND 1999
(in thousands of dollars)

	2000	1999
ASSETS		
Current assets:		
Cash	$ 19	$ 2
Other current assets	7	10
Receivable from Rogers Sugar Ltd.	8,000	8,000
	8,026	8,012
Investment in Rogers Sugar Ltd. (note 3):		
Investment in common shares	102,701	103,739
11.5% subordinated notes	278,261	278,261
Equity in loss and amortization of purchase price discrepancy less dividend	(72,682)	(52,377)
	308,280	329,623
	$ 316,306	$ 337,635
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 216	$ 219
Distribution payable to unitholders (note 5)	7,886	7,886
	8,102	8,105
Unitholders' equity	308,204	329,530
	$ 316,306	$ 337,635

See accompanying notes to financial statements.

Approved by the Trustees:

Dallas H. Ross
Trustee

James S. A. MacDonald
Trustee

Statements of Earnings and Distributable Cash

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(in thousands of dollars, except amounts per trust unit)

	2000	1999
Revenue:		
Interest	$ 32,000	$ 32,000
Equity in loss of Rogers Sugar Ltd.	(11,640)	(17,136)
Amortization of Fund's purchase price discrepancy	(8,665)	(8,642)
	11,695	6,222
Expenses:		
Administration costs	439	515
Net earnings	11,256	5,707
Add:		
Equity in loss of Rogers Sugar Ltd.	11,640	17,136
Dividends from Rogers Sugar Ltd.	–	4,222
Amortization of Fund's purchase price discrepancy	8,665	8,642
	20,305	30,000
Distributable cash	$ 31,561	$ 35,707
Net earnings per trust unit	$ 0.27	$ 0.14
Distributable cash per trust unit	$ 0.76	$ 0.86

Statements of Unithholders' Equity

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(in thousands of dollars)

	2000	1999
Balance, beginning of year	$ 329,530	$ 359,621
Net earnings for the year	11,256	5,707
Distributions (note 5)	(32,582)	(35,798)
Balance, end of year	$ 308,204	$ 329,530

See accompanying notes to financial statements.

Statements of Cash Flows

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(in thousands of dollars)

	2000	1999
Cash flows from operating activities:		
Distributable cash	$ 31,561	$ 35,707
Increase in non-cash working capital	–	2,144
	31,561	37,851
Cash flows from financing activities:		
Distributions to unitholders (note 5)	(31,544)	(37,925)
Return of capital (note 5)	(1,038)	–
	(32,582)	(37,925)
Cash flows from investing activities:		
Return of capital	1,038	–
Net increase (decrease) in cash	17	(74)
Cash, beginning of year	2	76
Cash, end of year	$ 19	$ 2

See accompanying notes to financial statements.

Notes to Consolidated Financial Statements

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(Tabular amounts expressed in thousands of dollars)

1. FORMATION OF FUND:

Rogers Sugar Income Fund (the "Fund") is an open-ended, limited purpose trust created under the laws of Ontario by a declaration of trust made as of September 15, 1997 as amended and restated on September 30, 1997 (the "Declaration of Trust"). An unlimited number of trust units may be issued pursuant to the Declaration of Trust.

The Fund has been established to own 100% of the common shares ("Common Shares") and $278,260,870 principal amount of 11.5% subordinated notes ("Notes") of Rogers Sugar Ltd. ("Rogers"). To finance these investments, the Fund issued 41,504,800 trust units for net proceeds of $382 million.

While the Fund owns all of the issued Common Shares, Lantic Capital Inc., owner of the Class C share of Rogers, is entitled to designate three of Rogers' five directors. Accordingly, Rogers does not meet the definition of a subsidiary for accounting purposes and the Fund accounts for its investment from the effective date of the acquisition, October 8, 1997, using the equity method. Under this method, the cost of the investment is increased (decreased) by Rogers' earnings (loss) and reduced by the amortization of the excess of the purchase price over the net book value of the acquired shares (purchase price discrepancy), any dividends paid to the Fund by Rogers and repurchases of the Common Shares held by the Fund.

2. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada.

(a) Amortization of purchase price discrepancy:

The excess of the Fund's cost of its investment in the Common Shares and Notes over the net book value at the date of acquisition has been allocated to goodwill which is amortized on a straight-line basis over 20 years.

Management regularly evaluates the net carrying value of its investment including goodwill for possible impairment in value. Impairment would be recognized if the net carrying value was not expected to be recovered in the future. Such evaluations include a comparison of current and anticipated operating earnings of Rogers and unamortized goodwill balance and amortization amounts, assessment of future operating trends and consideration of regulatory environment, sweetener market trends and other relevant factors. The basis for measurement of this recovery is management's expectation of Rogers' future non-discounted operating cash flow.

(b) Income taxes:

The Fund is a unit trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the unitholders. As substantially all taxable income will be allocated to the unitholders, no provision for income taxes on earnings of the Fund has been made in these financial statements. Income tax liability relating to distributions from the Fund are the obligations of the unitholders.

(c) Distributions to unitholders:

Distributions to unitholders are made on a quarterly basis. The amount of cash to be distributed annually to unitholders is equal to the total of interest income earned on the Notes, dividends received from Rogers and any repurchases of Common Shares by Rogers, less any administrative expenses incurred by the Fund and amounts that may be paid in connection with any cash redemption of units or amounts required for the operation of the Fund.

Notes to Consolidated Financial Statements

YEARS ENDED SEPTEMBER 30, 2000 AND 1999

(Tabular amounts expressed in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

(d) Use of estimates:

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates are related to the goodwill and the rate for amortization. Actual results could differ from those estimates.

(e) Financial instruments:

The carrying value of cash, other current assets, accounts receivable from Rogers, accounts payable and accrued liabilities and distributions payable to unitholders, approximates fair values based on the short-term maturity of these instruments. The fair value of the subordinated notes is not practicable to determine given the many factors, terms and conditions that would influence such a determination.

3. INVESTMENT IN ROGERS SUGAR LTD.:

The Fund has an investment in Rogers Sugar Ltd. made up of the following:

(in thousands of dollars)	2000	1999
41,504,800 common shares	$ 102,701	$ 103,739
11.5% subordinated notes	278,261	278,261
	$ 380,962	$ 382,000

During fiscal 2000, the investment in Rogers Sugar Ltd. was reduced by $1,037,620 as a result of a return of capital. The number of outstanding shares remained unchanged. The 41,504,800 common shares represent 100% of Rogers' issued share capital.

The Notes mature on October 15, 2027. The Notes bear interest at 11.5% per annum, payable quarterly. The Fund may defer the payment of interest on the Notes for up to 18 months to the extent that its EBITDA, less any interest and principal paid on the Credit Facility, are inadequate to pay the interest on the Notes. During the year ended September 30, 2000, the Fund received interest of $32 million ($32 million in 1999) on the Notes.

From time to time, the Board of Directors of Rogers and, if the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of outstanding Notes, the Trustees, shall jointly review Rogers' facilities and operations, the economic conditions relating to the sugar industry and the business prospects of Rogers. If this review, in the opinion of either the Board of Directors of Rogers or the Trustees, indicates that it is unlikely that the indebtedness of Rogers evidenced by the Notes could be refinanced on the same terms and conditions upon maturity of the Notes, then Rogers shall commence principal repayments on the Notes such that the Notes are fully repaid on or before the Maturity Date or reduced to the level which the Board of Directors of Rogers and the Trustees are of the opinion could be so refinanced. In that event, the available cash of Rogers will be utilized to the extent required to fund such repayments in lieu of returns of capital on Common Shares or dividends on, or other distributions in respect of Common Shares. Except as aforesaid, the Notes will not be redeemable at the option of Rogers or by the holders thereof prior to maturity.

Notes to Consolidated Financial Statements

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(Tabular amounts expressed in thousands of dollars)

3. INVESTMENT IN ROGERS SUGAR LTD. (continued):

The Fund has determined its purchase price discrepancy, representing the excess of the purchase price of the Fund's investment in the Common Shares and Notes over the related net book value of Rogers, at the date of acquisition to be $172.8 million. The Fund's purchase price discrepancy has been ascribed to its investment in Common Shares and has been amortized as follows:

(in thousands of dollars)			2000	1999
	Purchase price discrepancy	Accumulated amortization	Net book value	Net book value
Goodwill	$ 172,833	$ 25,783	$ 147,050	$ 155,715

4. TRUST UNITS:

An aggregate of 41,504,800 Trust Units of Rogers Sugar Income Fund have been issued. Each Trust Unit represents an equal undivided beneficial interest in the net assets of the Fund. Each Trust Unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund and to one vote for each Trust Unit held at all meetings of unitholders. Unitholders are not subject to future calls or assessments.

(in thousands of dollars)	2000		1999	
	Number of units	Amount	Number of units	Amount
Issued Trust Units:	41,504,800	$ 380,962	41,504,800	$ 382,000

During the year, the Fund returned $1,037,620 of capital to its unitholders. No change in the number of outstanding units occurred.

5. DISTRIBUTIONS TO UNITHOLDERS:

During the year ended September 30, 2000, the Fund distributed to unitholders $32,581,268 (1999 - $35,797,890) or $0.785 (1999 - $0.8625) per unit. The amounts and record dates of paid distributions were:

	2000		1999	
Record date	Amount	Amount per unit	Amount	Amount per unit
December 31	$ 7,885,912	$ 0.190	$ 10,013,033	$ 0.24125
March 31	8,300,960	0.200	10,013,033	0.24125
June 30	8,508,484	0.205	7,885,912	0.19000
	$ 24,695,356	$ 0.595	$ 27,911,978	$ 0.67250

Notes to Consolidated Financial Statements

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(Tabular amounts expressed in thousands of dollars)

5. DISTRIBUTIONS TO UNITHOLDERS (continued):

Additionally, a distribution of $7,885,912 ($0.19 per unit) to unitholders was declared by the Trustees, payable to unitholders of record on September 30. This distribution was paid on October 13, 2000 (1999 - October 15, 1999). The distributions declared have been allocated as follows for income tax purposes:

	2000		1999	
	Amount	Amount per unit	Amount	Amount per unit
Interest income	$ 31,543,648	$ 0.760	$ 31,622,507	$ 0.7619
Return of capital	1,037,620	0.025	–	–
Dividends	–	–	4,175,383	0.1006
Total distribution	$ 32,581,268	$ 0.785	$ 35,797,890	$ 0.8625

6. ADMINISTRATION AGREEMENT:

In 1997, the Fund entered into an Administration Agreement with Lantic Sugar Limited ("Lantic"). Under the terms of the Agreement, Lantic is responsible for the administration and management of the Fund. Under the Administration Agreement, Lantic earns a fee of $50,000 per annum. The Agreement is still in place at the end of fiscal 2000.

7. COMPARATIVE FIGURES:

Certain of the 1999 comparative figures have been reclassified to conform with the basis of presentation adopted in the current year.

Rogers Sugar Ltd.

REPORT TO THE SHAREHOLDER

During fiscal 2000, Rogers Sugar Ltd. ("Rogers") achieved a number of key goals. The Taber plant realized a slice rate of 6,000 metric tonnes per day in the third week of the campaign; a significant volume of liquid substitutable business was recaptured; the Company's third party long-term debt was refinanced at competitive rates; and distributable cash from operations increased by more than 50% over the previous year.

The program developed to correct deficiencies associated with the 1999 beet campaign at the Taber facility proved very successful. The plant commenced production, as scheduled, on September 15, 1999 and slicing was completed by the end of January 2000. The plant reached its nominal capacity of 6,000 metric tonnes of slice per day in the third week of the campaign and achieved a rate of over 90% of nominal slicing capacity for the year. All beets harvested were processed, as storage conditions improved substantially versus the previous year.

The acreage increased to 44,500, which is 3,000 acres higher than the previous year but was somewhat less than expected. Combined with a lower than average yield, this resulted in a total crop of 840,000 metric tonnes. Nevertheless, due to the improved operating efficiencies of the plant, total sugar output was 114,000 metric tonnes, an increase of 29% over the previous year.

Rogers continued to pursue liquid substitutable business in fiscal 2000 and, as a result, sales increased by approximately 30,000 metric tonnes to 264,700. The lower price of raw sugar combined with the increased volume in Taber contributed to this success.

Our original long-term bank debt required principal repayment of $5.0 million per quarter, commencing December 31, 2000. We were able to refinance this debt through a private placement of $100 million principal amount of senior secured debentures with no amortization until maturity in August 2005. This will provide the Company with increased operating and financial flexibility.

Distributable cash from operations increased by $10.7 million in fiscal 2000 to $31.7 million. The improved operating performance at the Taber facility, in conjunction with the higher sales volumes, are the major reasons for the increase in distributable cash.

The remaining funds from the Taber Cash Pool of $1.6 million were all withdrawn by September 30, 2000. Of that amount, $1.0 million was distributed during the year as return of capital and additional distribution, while the remaining $600,000 was retained to partially finance the placement fees of the new long-term debt. In total, Rogers distributed $33.0 million to Rogers Sugar Income Fund (the "Fund") during the year, $32.0 million as interest and $1.0 million as return of capital.

On November 3, 2000, the Canadian International Trade Tribunal ("CITT") continued, for a further five years, the anti-dumping and countervailing duties on imports of refined sugar from the United States and the European Union. Renewal of these duties was important for Rogers and restricts unfair competition from sugar imports from these countries. This will add stability to Rogers' results in the future.

Next year's results will be negatively impacted by the rise in the price of natural gas. Natural gas represents Rogers' third largest expense after sugar and labour. At today's current price, it would equate to an increase of over 45% from last year's level, and could result in a decrease of over $5.0 million in distributable cash. Programs to reduce our energy consumption are currently being aggressively pursued.

The early indication for this year's crop is encouraging. Despite lower acreage at 42,500, we are anticipating a crop of over 900,000 metric tonnes of beets, which should result in up to 125,000 metric tonnes of sugar. This will mitigate some of the negative impact of natural gas price increase. We will also continue to seek additional revenue streams, as we did with the launch of two new products, cube Plantation Raw and Muscovado sugar, in October 2000. These new products, combined with the realignment of some existing specialty products, should improve the overall margins of Rogers in the future.

On behalf of the Board of Directors,

Seth M. Mersky
Chairman

Gregory J. Hoskins
President and CEO

Operational Review

Rogers is the leading refiner, processor, distributor and marketer of sugar products in Western Canada. Being in the business for over a 100 years, it operates two sugar processing facilities: a cane sugar refinery in Vancouver, British Columbia and a beet sugar factory in Taber, Alberta.

Rogers supplies over 90% of the Western Canadian demand for refined sugar. The Canadian sugar market has been stable over the years, with increases in consumption corresponding to population growth.

SUGAR MARKET

Rogers' sugar prices are based upon the world raw sugar market, traded on the New York Coffee, Sugar & Cocoa Exchange. Unlike other countries, Canada does not subsidize the production or processing of raw sugar.

During the year, raw sugar prices remained relatively low except for the last quarter, when sugar prices increased to a level of approximately 10 cents per pound. Reduced crop projections in Australia and Brazil, two major raw sugar producers, was the main reason for the sudden increase in raw sugar prices.

WORLD RAW CANE SUGAR

Prices Nearby Futures Month - N.Y. #II (cents per pound - yr. avg.)

All raw sugar transactions related to the Vancouver cane operation are hedged, thus eliminating gains or losses from raw sugar price movements. At Taber, the raw material is sugar beets, while the selling price of refined sugar is based upon the world price of raw cane sugar. Revenues generated in Taber are shared with the Alberta Beet Growers, as per a Master Agreement.

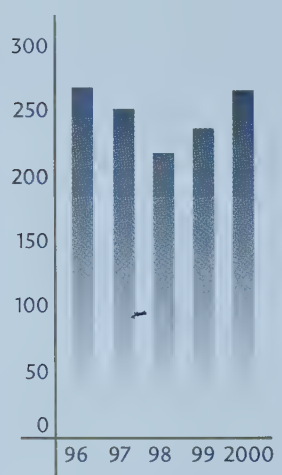
With lower revenues generated from Taber due to the low world raw sugar price, the Growers' share was for a second year in a row negatively impacted. As a result, additional growers took a leave of absence from growing beets in 2000, which lowered acreage to 42,500, some 2,000 acres less than the previous year.

The increase in the world raw sugar prices occurred after the planting season and therefore, should have a positive impact on acreage for the 2001 crop, or fiscal 2002.

SALES VOLUME

With the expansion of the Taber factory, the intent was to recapture some of the lower margin liquid volume supplied by producers of high fructose corn syrup ("HFCS"). Rogers was successful in recapturing a large part of this business in fiscal 2000, increasing total volume to 264,673 metric tonnes from 235,040 metric tonnes in 1999. In addition, low raw sugar prices provided an opportunity for Rogers to recapture more of that business, not only for Taber's production but also for the Vancouver cane facility.

SALES VOLUME
(in thousands of metric tonnes)



BY-PRODUCTS REVENUE

Rogers' gross margin includes a significant contribution from the sale of by-products. In the processing of sugar beets, two by-products are produced: beet pulp and beet molasses.

The major use of these by-products is animal feed. Revenues are affected by the price of other commodities with animal feed applications such as barley. In fiscal 2000, prices recovered somewhat in the domestic market and more significantly in the Asian market, where approximately 32% of our beet pulp is sold.

NEW PRODUCTS

In a competitive marketplace where consumption increases are related to population growth and where Rogers has a large market share, it is difficult to enhance revenues and margins. Commencing fiscal 2001, new products will be introduced and existing products will be repositioned.

In the fall of 2000, Rogers will introduce Muscovado sugar and Plantation Raw cubes, two new products presently not manufactured in Canada.

Muscovado sugar is a moist, fine-granulated dark sugar with a full rich aroma and flavour. It enhances savory marinades, sauces and mulled wine. It also adds an extra depth of color and natural flavour to different baked goods.

Plantation Raw cubes are a single serving of a popular product, Plantation Raw sugar, introduced in the mid-90's by Rogers. This single serving in a cube format imparts a unique, naturally sweet taste to hot and cold beverages.

The repositioning of existing products will mainly entail packaging changes. These new packages will form a revamped line of specialty products and will attract the consumer to the uniqueness of these products.

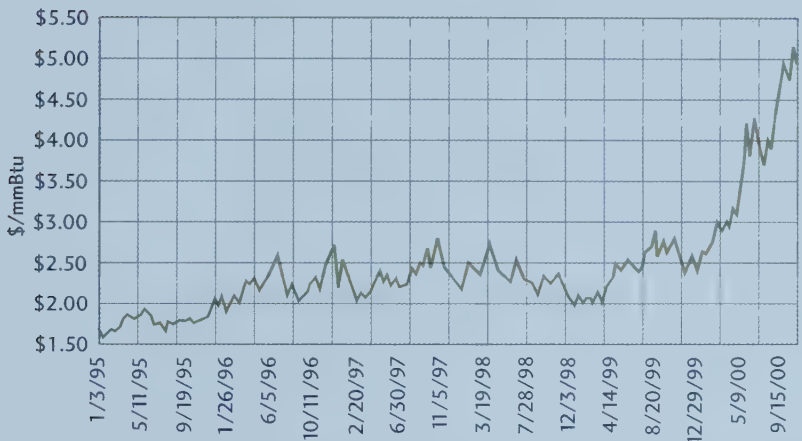
Although these new products will be initially small in volume, they will serve to add dynamics to specialty type products with added-value and at the same time reinforce and enhance the Rogers brand. They will also be supported through product specific web sites.

OPERATIONS

The Taber factory produced 114,000 metric tonnes of beet sugar in 2000, an increase of 26,000 metric tonnes over the previous year. Of that amount, approximately 15,500 metric tonnes were produced from thick juice, in the months of June and July. Most of the deficiencies identified in 1999 were corrected prior to the start of the slicing campaign. The backup system to the lime kiln was in place and was used sporadically during the year, as no shutdowns occurred due to the kiln. Additional work was completed after the campaign, which should further improve the efficiency of the plant.

NATURAL GAS 12 - MONTH STRIP PRICE

12 - month Futures strip on 10/24 was $4.53/MM Btu*



* Source: Morgan Stanley Dean Witter Research

ENERGY

During sugar beet or raw sugar processing operations, significant quantities of energy are required for process heating. Sugar beets contain approximately 75% water by weight and additional water is added to extract the sugar from the beets. As a result, a large amount of water must be evaporated during the process before the sugar can be crystallized. In Taber, about two thirds of the total natural gas consumed by the factory is used in the boilers. Most of the remaining gas is used to dry beet pulp. After the sugar is extracted from the beets, the residue that remains is pressed to remove as much water as possible but the pulp still contains about 75% water after the pressing operation. This water is removed in two natural gas-fired pulp dryers that reduce the moisture content to about 10%. The dried pulp is then pelleted and sold as animal feed.

The price of natural gas has increased drastically over the past few months. As energy represents the third largest expense after sugar and labour, this increase will have a negative impact on the operations' results of Rogers. As it can be seen from the chart, the price of energy has risen drastically since 1998, with the largest increase occurring in late fiscal 2000.

Rogers is continuing to look for ways to reduce energy consumption in the process and thus reduce energy costs. Alternate energy sources are either uneconomical or impractical at the present time.

LEGISLATIVE ISSUES

On November 3, 2000, the Canadian International Trade Tribunal ("CITT") continued for a further five years anti-dumping and countervailing duties imposed on imports of refined sugar from the United States and the European Union. Under Canadian law, these duties, initially put in place in November 1995, must be reviewed every five years.

The duties are important to Rogers because they protect its market from the adverse effects of unfairly traded imports from these sources. Although some changes had occurred in the United States and European Union sugar programs since 1995, they did not materially affect the factors that originally created the dumping and subsidization. High price policies in those markets stimulate domestic production and create surpluses for export. Currently, the surpluses in the United States and the European Union are at record levels. Until these distortions are eliminated, the Canadian industry has no hope of avoiding material injury from these imports.

With respect to refined sugar exports to the United States, the 7,000-tonne global quota and 10,300 metric tonnes Canada specific quota remain unchanged. Also unchanged is the requirement that only domestically grown sugar (i.e. beet sugar) be exported under the Canada specific quota. As the sole producer of beet sugar in Canada, Rogers' Taber factory shipped a total 11,249 metric tonnes of beet sugar against the Canada-specific and global quota in fiscal 2000.

TABER CASH POOL

As planned, the remaining $1.6 million in the Taber Cash Pool was withdrawn by September 30, 2000. Of that amount, $1.0 million was paid to unitholders by way of additional distribution and the remaining $600,000 was kept to partially fund the placement fees related to the new long-term debt put in place in the last quarter of 2000.

OUTLOOK

The start-up of the Taber factory in September 2000 was very successful. By the eighth day of operation, the plant was already slicing over 6,000 metric tonnes of beets per day. New slicing records were regularly attained in the next few weeks, reaching a record slice of 6,800 metric tonnes in one day. The crop also appears to be higher than last year's even though the acreage is 2,000 acres less.

The increased price of natural gas will affect our fiscal 2001 results. Natural gas is the third largest expense after sugar and labour. The average price increased by almost 45% from the previous year, and increased by over 100% from 1998 levels. We will seek out programs to reduce our energy consumption and therefore lessen our exposure to this rising commodity.

Management's Discussion and Analysis

The following discussion and analysis reviews the operating results of Rogers for the year ended September 30, 2000 and comments on the risks and uncertainties which may affect the Company in the future. This should be read in conjunction with the Consolidated Financial Statements and Notes, which are found on pages 24 to 35 of this report.

The following table provides condensed comparative financial results for the years ended September 30, 2000 and 1999.

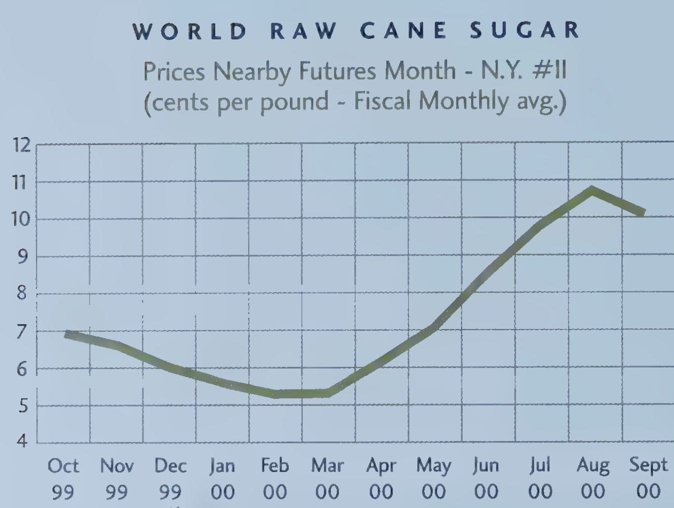
(in thousands of dollars)	September 30, 2000	September 30, 1999
Revenues	$ 180,735	$ 166,941
Gross margin	56,681	46,816
Distribution expenses	7,592	7,450
Administration expenses	5,076	4,186
Earnings before interest, income taxes, depreciation, amortization and Growers' settlement	44,013	35,180
Depreciation and amortization	14,892	13,470
Interest expenses	40,714	39,060
Growers' settlement	–	4,317
Net loss	($11,640)	($17,136)

RESULTS OF OPERATIONS

Revenues increased from 1999 as volume increased by 29,600 metric tonnes. Approximately 21,500 metric tonnes of this increase in sales volume occurred in the liquid sugar sector, where Rogers was able to recapture a large part of the liquid sugar volume that it had lost as a result of the closure of the Winnipeg factory in 1997, and in the industrial sector, where one time sales of bulk sugar were supplied to Lantic Sugar Limited.

The lower price of raw sugar early in the year mitigated the impact of this higher volume. Sales prices are based on the New York world raw sugar price (#11). As the following chart on page 20 shows, the price of raw sugar averaged approximately 7.75 cents per pound for the year, with a sharp increase in price occurring in the last four months of the fiscal year.

Gross margin was almost $10.0 million higher than last year. Half of that increase was due to the additional volume of sales of 29,600 metric tonnes. Taber's production increase of 28,000 metric tonnes from the previous year accounted for most of the remaining increase in gross margins. It should be noted that fiscal 1999 had cost inefficiencies relating to start-up problems incurred at the Taber factory.

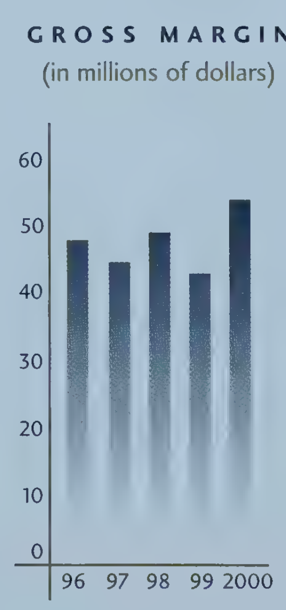


Distribution costs increased slightly, mainly as a result of the increase in sales volume. The cost increase was partially mitigated by increased production in Taber thus reducing shipments from Vancouver to the Prairie market.

Administrative expenses increased by approximately $0.9 million in 2000. Last year's results had a reversal of $0.7 million in severance accrual, which reduced the 1999 expenses.

The $1.4 million increase in depreciation and amortization reflects mainly the write-off of $1.0 million in deferred finance charges that occurred with the negotiation of new long-term debt and working capital credit facilities.

Total interest expense increased to $40.7 million in 2000 compared to $39.1 million in 1999. Total interest paid to the Fund was $32.0 million, the same as in 1999. Bank interest expense increased to $8.7 million in 2000 from $7.1 million in 1999. Of this increase, $0.8 million resulted from additional borrowings made under the working capital and long-term debt facilities, while higher interest rates and lower interest income from the Taber cash pool accounted for the remaining $0.8 million.



In June 1999, Rogers paid a one-time settlement of $4.3 million to the Alberta Sugar Beet Growers. This settlement related to the volume of sugar beets that were not processed due to the late start-up of the plant and certain operational difficulties encountered in the commissioning stage.

INCOME TAXES

Rogers' current income taxes relate to the Large Corporation Tax that the Company incurred in 2000. The future income taxes are provided on temporary differences, which result primarily from claiming capital cost allowance in excess of depreciation, losses carried forward and inventory costing. The significant variance between accounting and taxable income results from the non-deductibility of goodwill amortization for tax purposes.

CASH FLOW

Cash flow from operating activities in fiscal 2000 was positive by $10.3 million compared to negative cash flow of $9.8 million in 1999.

The increase in cash flow resulted mainly from the positive operating performance and higher volume in Taber.

Rogers' distributable cash for 2000 compared to 1999 is as follows:

(in thousands of dollars)	September 30, 2000	September 30, 1999
Earnings before depreciation, amortization, income taxes and other items	$ 44,013	$ 35,180
Add:		
Additional long-term debt	1,500	–
Deduct:		
Third party debt interest	8,796	7,060
Maintenance capital expenditures	3,301	2,205
Cash income taxes	600	600
Debt refinancing costs	1,078	–
One-time Growers' settlement	–	4,317
Distributable cash from operations	31,738	20,998
Contribution from cash pool	1,688	8,700
Distributable cash flow	$ 33,426	$ 29,698

A total amount of $33.0 million was distributed to the Fund during the year. The excess distributable cash flow of $.4 million was kept to repay some working capital borrowings of the previous fiscal year, when distribution to the Fund exceeded distributable cash flow.

The additional long-term debt of $1.5 million was for Taber's water cooling tower and had already been reserved under the committed term debt facility. This debt facility was refinanced through a private placement of $100.0 million principal amount of senior secured debentures, with no amortization until maturity in August 2005. Fees of $1.1 million were incurred in the refinancing of this debt.

LIQUIDITY AND CAPITAL RESOURCES

At year end, Rogers had short-term bank indebtedness of $10.7 million. The Company has an authorized line of credit of up to $50.0 million available to finance its operations. With the refinancing of the long-term debt structure, there is no amortization of the long-term debt until its maturity in August 2005.

Cash requirements for working capital and other capital expenditures will be met with funds generated from operations.

ENVIRONMENT

The Company's policy is to meet all applicable government requirements with respect to environmental matters. Except for the use of cooling water at the Vancouver refinery, in excess of limits in the Company's permit, management believes that the Company is in compliance in all material respects with environmental laws and regulations. The Company has not received any notice limiting its production at the Vancouver refinery. The Company intends to start construction of a water cooling device in 2001.

Rogers, through its inactive subsidiary Chatterton Petrochemical Corporation ("Chatterton") and its former subsidiary Kalama Chemical, Inc. ("Kalama"), previously managed the production and sale of specialty chemicals in Canada and the United States. Chatterton ceased operations in June 1992, and Kalama was sold in May 1994.

In 1997, OMI Lantic Holdings Inc., BAI Lantic Holdings Inc. (collectively "Lantic Holdings") and Lantic Real Property Limited Partnership ("Lantic Realco") provided a joint and several indemnity in favour of Rogers against any claim imposing liability under environmental law, resulting from the presence, discharge, release or threatened release of any hazardous substance at any of the Kalama or Chatterton properties, and any claims relating to environmental matters arising under the Kalama sale agreement.

To support this indemnity, in 1997, Lantic Holdings delivered a letter of credit of $11.0 million drawn on a Canadian chartered bank to fund payments required under the indemnity or to remediate the Chatterton property. However, Rogers agreed to act reasonably and in good faith in considering any request for release or reduction in the amount of the Letter of Credit or substitute security including in light of the obligations supported or secured by the Letter of Credit. In accordance with that provision, in 2000, Lantic Realco requested the release of the letter of credit in light of significant progress which Lantic Realco indicated had been made in resolving the known Kalama and Chatterton environmental issues, the appraised value of the Chatterton property significantly in excess of the letter of credit and the settlement of other issues which had been raised by the purchaser of Kalama. The letter of credit was released by Rogers as part of revised arrangements relating to the indemnity. In those arrangements, Lantic Realco agreed that, prior to the completion of the clean-up of the Chatterton property and the termination or defeasance of the obligations of Rogers with respect to environmental matters under the Kalama sale agreement, (i) it would not use its assets except for specified purposes, including remediation of the properties related to Kalama and Chatterton, and (ii) upon the sale of the Chatterton property, it would deposit

$11.3 million in a trust fund to be used solely to satisfy Lantic Realco's obligations to pay amounts to Rogers under the indemnity. After the said cleanup and termination or defeasance, Lantic Realco may reduce the said trust to $4.0 million to be held for the same purposes unless released by the Rogers board.

Management monitors, on an on-going basis, estimates of the cost to Rogers to clean-up the Kalama properties and the Chatterton property, and to deal with certain previously disclosed claims by the purchaser of Kalama. In addition to the indemnity from Lantic Holdings and Lantic Realco and the supporting arrangements referred to above, Rogers has access to a significant trust fund to pay for costs related to clean-up covered by the indemnity. As well, a settlement was reached with the former owner of the Chatterton property under which the former owner released its claim to recover the 50% of clean-up costs it had paid and paid $1.5 million into an escrow to be available to Lantic Realco upon the conclusion of the clean-up of the Chatterton property. In the Settlement Agreement, the former owner was released by Rogers, Chatterton, Lantic Holdings, Lantic Realco and its affiliates from substantially all further environmental liability relating to the Chatterton property and was indemnified by Lantic Realco and an affiliate of Lantic Realco from such liability.

Lantic Holdings also obtained for Rogers in 1997 a $50.0 million insurance policy to pay on a site by site basis for 90% of the clean-up cost of the Kalama and Chatterton properties above those estimated when the policy was issued. The insurance policy remains in force and two claims have been made to date against the policy with respect to the only site where clean-up costs have to date exceeded the clean-up cost estimated at the time that the insurance was acquired. With the environmental indemnity and recourse to the other funding sources referenced above, Rogers' management believes Rogers has no significant risk of material loss or expense as a result of historic environmental issues relating to the Kalama or Chatterton properties or to the Kalama sale agreement.

OUTLOOK

On November 3, 2000, the Canadian International Trade Tribunal ("CITT") continued, for a further five years, the anti-dumping and countervailing duties on imports of refined sugar from the United States and the European Union. Renewal of these duties was important for Rogers and restricts unfair competition from sugar imports from these countries. This will add stability to Rogers' results in the future.

The rise in the price of raw sugar should improve the return from the Taber factory. A larger crop is expected in fiscal 2001, which should increase the total sugar output from the Taber factory and improve gross margins.

The above will be more than offset by the rise in the price of natural gas. Natural gas represents the third largest expense for the Company. The rise of more than 45% from last year's level will negatively impact the results of 2001. Programs to reduce our energy consumption are being aggressively pursued.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements (the "financial statements") of Rogers Sugar Ltd. and all the information in this annual report pertaining to Rogers Sugar Ltd. are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information of Rogers Sugar Ltd. presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Company.

Rogers Sugar Ltd. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements of the Company. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and the majority of its members are outside and unrelated directors. The committee meets with management, as well as external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholder. The committee also considers, for review by the Board and approval by the shareholder, the engagement or re-appointment of the external auditors.

The financial statements of the Company have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholder. KPMG LLP has full and free access to the Audit Committee.

Gregory J. Hoskins
President and Chief Executive Officer

Daniel L. Lafrance
Senior Vice-President of Finance
and Chief Financial Officer

November 3, 2000

Auditors' Report to the Shareholder

We have audited the consolidated balance sheets of Rogers Sugar Ltd. as at September 30, 2000 and 1999 and the consolidated statements of earnings, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Montreal, Canada
November 3, 2000

Consolidated Balance Sheets

SEPTEMBER 30, 2000 AND 1999
(in thousands of dollars)

		2000		1999
ASSETS				
Current assets:				
Cash in escrow (note 3)	$	–	$	2,824
Accounts receivable (note 4)		21,498		18,075
Inventories		14,678		19,927
Prepaid expenses		1,573		1,953
Future income taxes		2,703		2,570
		40,452		45,349
Capital assets (note 5)		254,682		264,957
Notes receivable (note 6)		178,000		178,000
Future income taxes		3,720		3,300
Other assets (note 7)		1,058		2,211
Defined benefit pension plan asset (note 14)		4,580		–
	$	482,492	$	493,817
LIABILITIES AND DEFICIENCY IN SHAREHOLDER'S EQUITY				
Current liabilities:				
Bank overdraft and revolving credit facility (note 8)	$	10,677	$	16,083
Accounts payable and accrued liabilities (note 9)		25,209		25,218
Accrued liability to beet growers		3,459		2,722
		39,345		44,023
Other employee future benefits (note 14)		4,795		–
Long-term debt (note 10)		100,000		98,500
Subordinated notes (note 11)		278,261		278,261
Redeemable Class A and B special shares (note 12)		178,000		178,000
		600,401		598,784
Deficiency in shareholder's equity:				
Share capital (note 13)		102,701		103,739
Deficit		(220,610)		(208,706)
		(117,909)		(104,967)
Commitments and contingencies (note 19)				
	$	482,492	$	493,817

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Dallas H. Ross
Director

James S. A. MacDonald
Director

Consolidated Statements of Earnings

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(in thousands of dollars)

	2000	1999
Revenues	$ 180,735	$ 166,941
Cost of sales	124,054	120,125
Gross margin	56,681	46,816
Expenses:		
Distribution	7,592	7,450
Management and services outsourcing fees (note 17)	4,536	4,425
Depreciation and amortization (note 15)	14,892	13,470
Other expenses (income)	540	(239)
Growers' settlement (note 3)	–	4,317
	27,560	29,423
Earnings before interest and income taxes	29,121	17,393
Interest on long-term debt	38,986	38,002
Other interest expense	1,728	1,058
	40,714	39,060
Loss before income taxes	(11,593)	(21,667)
Provision for (recovery of) income taxes (note 16):		
Current	600	600
Future	(553)	(5,131)
	47	(4,531)
Net loss	$ (11,640)	$ (17,136)

Consolidated Statements of Deficit

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(in thousands of dollars)

	2000	1999
Deficit, beginning of year:		
As previously reported	$ (208,706)	$ (187,348)
Adoption of new accounting standard for employee future benefits (note 1)	(264)	–
As restated	(208,970)	(187,348)
Net loss	(11,640)	(17,136)
Dividends	–	(4,222)
Deficit, end of year	$ (220,610)	$ (208,706)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(in thousands of dollars)

	2000	1999
Cash flows from operating activities:		
Net loss	$ (11,640)	$ (17,136)
Adjustments for items not involving cash:		
Depreciation and amortization	14,892	13,470
Future income taxes	(553)	(5,131)
Other	866	1,069
	3,565	(7,728)
Changes in non-cash operating working capital:		
Cash in escrow	2,824	8,783
Accounts receivable	(3,423)	2,372
Inventories	5,249	(2,137)
Prepaid expenses	380	(160)
Accounts payable and accrued liabilities	926	(6,823)
Accrued liability to beet growers	737	(4,121)
	6,693	(2,086)
	10,258	(9,814)
Cash flows from financing activities:		
Increase (decrease) in bank overdraft and revolving credit facility	(5,406)	16,083
Net increase in long-term debt	1,500	19,000
Deferred financing charges	(1,078)	–
Return of capital	(1,038)	–
Cash dividend paid	–	(4,222)
	(6,022)	30,861
Cash flows from investing activities:		
Additions to capital assets	(4,236)	(21,718)
Net decrease in cash and cash equivalents	–	(671)
Cash and cash equivalents, beginning of year	–	671
Cash and cash equivalents, end of year	$ –	$ –
Supplemental cash flow disclosure:		
Interest paid	$ 39,796	$ 39,427
Income taxes paid	600	600
Fixed assets included in accounts payable	350	1,285

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(Tabular amounts expressed in thousands of dollars)

1. CHANGE IN ACCOUNTING POLICY:

Employee future benefits:

In 2000, the Company adopted the new Canadian Institute of Chartered Accountants' (CICA) recommendations related to the accounting for employee future benefits. Specifically, the standard outlines guidance for the accounting for pension, post-retirement and workers compensation costs. In accordance with the transitional provisions of the new standard, the Company has applied the recommendations retroactively but has not restated comparative periods.

The cumulative effect of the adoption of the new standard of $264,000 has been recorded as an increase to opening deficit.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:
The financial statements include the accounts of the Company's subsidiaries, all of which are inactive.

(b) Revenue recognition:
Revenue is recognized at the time sugar products are shipped to customers.

(c) Inventories:
Cane sugar inventory is valued at the lower of cost and net realizable value adjusted for unrealized gains or losses on forward sugar purchase and sale commitments. A base quantity of 35,000 tonnes of cane sugar is valued at $85 per tonne, which is less than market value. Beet sugar inventory and all other inventories are valued at the lower of cost and net realizable value.

The Company, in the normal course of business, enters into foreign exchange futures contracts for the purpose of hedging its foreign exchange exposure for cane sugar purchases and sales commitments. These futures contracts are accounted for as hedges and all gains and losses are recognized in cost of sales.

(d) Capital assets:
Capital assets are carried at cost. Depreciation is provided over the estimated useful life of the related asset. Capital assets are depreciated or amortized on a straight-line basis using the following annual rates:

Assets	Rate
Buildings and improvements	2.5 %
Plant and equipment	5 %
Furniture and fixtures	20 %
Goodwill	5 %

Goodwill is amortized on a straight-line basis over 20 years. The Company regularly evaluates the net carrying value of capital assets including goodwill for possible impairment in value. Impairment would be recognized if the net carrying value was not expected to be recovered in the future. Such evaluations include comparison of current and anticipated operating earnings, assessment of future operating funds and other relevant factors. The basis for measurement of this recovery is management's expectation of future non-discounted operating cash flow.

(e) Income taxes:
The Company follows the asset and liability method for accounting for income taxes. Under the asset and liability method, the change in the net future tax asset and liability is to be included in income. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

(Tabular amounts expressed in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

(f) Employee future benefits:

The Company has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the employee's compensation. The Company also sponsors defined benefit life insurance, disability plans and medical benefits, for substantially all retirees and employees.

The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other employee future benefits.

The Company has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

(g) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates are related to the valuation of inventories, the determination of recoverability of capital assets and the rates for depreciation and amortization. Actual results could differ from those estimates.

3. CASH IN ESCROW:

A $16 million cash pool was set-up to augment cash distribution to Rogers Sugar Income Fund ("RSIF") during the Taber expansion project. This was done to provide distributions to RSIF unitholders, commensurate with distributions that would have been received if Taber's expansion had been completed as at October 8, 1997. During the year, an amount of $2.824 million plus accrued interest was withdrawn, extinguishing the cash pool account. In 1999, an amount of $8.700 million was withdrawn from the cash in escrow, of which $4.300 million was for payment of a one-time settlement to sugar beets growers for unprocessed beets.

4. ACCOUNTS RECEIVABLE:

	2000	1999
Trade	$ 18,892	$ 14,120
Other	2,606	3,955
	$ 21,498	$ 18,075

Notes to Consolidated Financial Statements

YEARS ENDED SEPTEMBER 30, 2000 AND 1999

(Tabular amounts expressed in thousands of dollars)

5. CAPITAL ASSETS:

	2000			1999
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 15,788	$ –	$ 15,788	$ 15,766
Buildings and improvements	12,635	697	11,938	12,242
Plant and equipment	59,887	5,684	54,203	54,290
Furniture and fixtures	1,222	610	612	631
Construction in progress	225	–	225	–
	89,757	6,991	82,766	82,929
Goodwill	202,253	30,337	171,916	182,028
	$ 292,010	$ 37,328	$ 254,682	$ 264,957

6. NOTES RECEIVABLE:

The notes receivable represent the proceeds from the sale of investment in Lantic Sugar Limited and Refined Sugars Inc., then wholly-owned subsidiaries of the Company, on October 8, 1997 prior to the acquisition of the Company by RSIF.

The notes bear no interest and have no fixed terms of repayment except that they can be used to redeem the special Class A and B shares.

7. OTHER ASSETS:

	2000	1999
Deferred financing charges	$ 1,058	$ 1,296
Long-term business development	–	484
Pension asset	–	431
	$ 1,058	$ 2,211

Deferred financing charges reflect the cost to obtain new credit facilities. These deferred financing charges are amortized over the term of the credit facilities.

8. BANK OVERDRAFT AND REVOLVING CREDIT FACILITY:

On August 25, 2000, the Company refinanced its existing revolving credit facility with the Bank of Nova Scotia. The terms of the new credit facility extend to August 25, 2004. The revolving credit facility is for the Company's operations and drawdowns are subject to certain restrictions. This facility is secured by the accounts receivable and inventory.

The credit facility bears interest at prime rate plus 0.25% to 0.75% or Bankers' Acceptance rate plus 1.0% to 1.75% determined on the basis of meeting a financial ratio, and a standby fee of 0.20% to 0.375%. The revolving credit facility is subject to extension at terms to be agreed upon with the lenders. The interest rate for the year was approximately 7.38%.

(Tabular amounts expressed in thousands of dollars)

Notes to Consolidated Financial Statements

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	2000	1999
Trade and accrued liabilities	$ 17,209	$ 17,218
Due to parent company	8,000	8,000
	$ 25,209	$ 25,218

The amount due to parent company represents the interest earned on the subordinated notes. The amount was paid subsequent to year-end.

10. LONG-TERM DEBT:

	2000	1999
Debentures	$ 100,000	$ –
Term loan A	–	57,500
Term loan B	–	41,000
	$ 100,000	$ 98,500

On August 25, 2000, the Company refinanced its long-term debt by issuing $100 million in debentures. These debentures have an annual interest rate yield of 8.173% and interest is payable on a quarterly basis on November 25, February 25, May 25 and August 25 of each calendar year. The debentures mature on August 26, 2005 at which point repayment of principal is due in full. The long-term debt is secured by all the assets of the Company, except accounts receivable and inventory which serve as security for the revolving credit facility (note 8).

11. SUBORDINATED NOTES:

The Company has subordinated notes payable of $278,260,870. All of the notes are held by RSIF, bear an annual interest rate of 11.5% and come due on October 15, 2027.

12. REDEEMABLE CLASS A AND B SPECIAL SHARES:

	2000	1999
133,500,000 Class A shares	$ 133,500	$ 133,500
44,500,000 Class B shares	44,500	44,500
	$ 178,000	$ 178,000

Class A shares, non-voting, no dividend.

Class B shares voting, on a pro rata basis equal to 10.01% of the voting trust agreement between Balaclava Acquisition Inc. and RSIF. RSIF is entitled to vote the Class B shares.

The redeemable Class A and the Class B shares are retractable and can be settled at the Company's option by delivery of the Notes receivable having respective face values of $133.5 million and $44.5 million.

13. SHARE CAPITAL:

	2000	1999
Issued:		
41,504,800 common shares	$ 102,701	$ 103,739
1 Class C share	–	–
	$ 102,701	$ 103,739

Notes to Consolidated Financial Statements

YEARS ENDED SEPTEMBER 30, 2000 AND 1999

(Tabular amounts expressed in thousands of dollars)

13. SHARE CAPITAL (continued):

Authorized common shares, unlimited, voting, held by RSIF.

The Class C share is redeemable by the Company for $1 upon the termination of the Governance Agreement. The Class C share entitles the holder to elect three of the five directors of the Company but has no other voting rights at any meetings of shareholders of the Company, except as may be required by law.

On amalgamation on October 8, 1997, common shares with a value of $103,739,130 were issued to RSIF. During fiscal 2000, the Company returned $1,037,620 of capital to its parent company.

14. EMPLOYEE FUTURE BENEFITS:

The Company sponsors a non-contributory defined pension plan for its salaried employees, as well as health care benefits, provincial medical plans and life insurance coverage.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	Pension Benefit Plan	Other Benefit Plans
Discount rate	7.25 %	7.25 %
Expected long-term rate of return on plan assets	7 %	N/A
Rate of compensation increase	4.5 %	4.5 %

The assumed health care cost trend rate at September 30, 2000 was 6.2% decreasing to 4.2% in 2004/2005.

The Company's net benefit plan expense is as follows:

	Pension Benefit Plan	Other Benefit Plans
Current service cost	$ 484	$ 113
Interest cost	1,975	322
Expected return on plan assets	(2,350)	–
Valuation allowance provided against accrued benefit asset	139	–
Net benefit plan expense	$ 248	$ 435

Information about the Company's defined benefit plans, is as follows:

	Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligation:		
Balance at October 1, 1999	$ 29,159	$ 4,620
Current service cost	484	113
Interest cost	1,975	322
Benefits paid	(2,368)	(260)
Actuarial gains	(708)	(146)
Balance at September 30, 2000	$ 28,542	$ 4,649

Notes to Consolidated Financial Statements

YEARS ENDED SEPTEMBER 30, 2000 AND 1999
(Tabular amounts expressed in thousands of dollars)

14. EMPLOYEE FUTURE BENEFITS (continued):

	Pension Benefit Plan	Other Benefit Plans
Plan assets:		
Fair value at October 1, 1999	$ 34,709	$ –
Actual return on plan assets	6,565	–
Employer contributions	41	260
Benefits paid	(2,368)	(260)
Balance at September 30, 2000	$ 38,947	$ –
Funded status - plan surplus (deficit)	$ 10,405	$ (4,649)
Unamortized net actuarial gains	(4,923)	(146)
Accrued benefit asset (liability)	5,482	(4,795)
Valuation allowance	(902)	–
Accrued benefit asset (liability), net of valuation allowance	$ 4,580	$ (4,795)

15. DEPRECIATION AND AMORTIZATION:

Depreciation and amortization are comprised of the following:

	2000	1999
Depreciation of capital assets	$ 3,464	$ 2,926
Amortization of goodwill	10,112	10,112
Amortization of deferred financing charges	1,316	432
	$ 14,892	$ 13,470

16. INCOME TAXES:

The provision for income taxes differs from the amount computed by applying the Canadian federal and provincial rates to income before income taxes. The reasons for the difference and the related tax effects are as follows:

	2000	1999
Loss before income taxes	$ (11,593)	$ (21,667)
Expected rate	37 %	37 %
Expected refund	(4,289)	(8,017)
Adjustments to expected refund:		
Amortization of goodwill (see note 15)	3,742	3,742
Other differences	(6)	(856)
	3,736	2,886
Large corporation tax	600	600
Income tax expense (recovery)	$ 47	$ (4,531)
Represented by:		
Current income tax expense	$ 600	$ 600
Future income tax recovery	(553)	(5,131)
Income tax expense (recovery)	$ 47	$ (4,531)

(Tabular amounts expressed in thousands of dollars)

16. INCOME TAXES (continued):

The future income tax assets (liabilities) comprise the following temporary differences:

	2000	1999
Current:		
Inventory reserve	$ 2,703	$ 2,570
Long-term:		
Capital assets	$ 748	$ (450)
Loss carryforward	2,892	4,187
Employee future benefits	80	(159)
Other	–	(278)
	$ 3,720	$ 3,300

No valuation allowance was recorded for the current and long-term future income tax assets.

17. RELATED PARTY TRANSACTIONS:

	2000	1999
Interest to Rogers Sugar Income Fund	$ 32,000	$ 32,000
Management and services outsourcing fees	4,536	4,425
Sales to Lantic Sugar Limited ("Lantic")	8,200	1,350

Management Agreement

Lantic provides strategic management services to the Company. The initial term of the Management Agreement, which may be terminated by the Company under certain circumstances, is for 15 years ending October 8, 2012, renewable thereafter for successive five-year terms and provides for an annual fee of $300,000.

Services Outsourcing Agreement

Lantic provides the Company with selling, general and administrative services other than services relating to distribution cost. The initial term of the Outsourcing Agreement, which may be terminated by the Company under certain circumstances, is 15 years ending October 8, 2012, renewable thereafter for successive five-year terms and provides for an annual fee of $4.1 million, adjusted for fluctuations in consumer price index.

The Company's sales to Lantic are made in the normal course of business and are recorded at the amount of consideration established and agreed to by the related parties. As at September 30, 2000, Lantic owed $3.173 million to the Company (1999 - the Company owed Lantic $12,000).

18. FINANCIAL INSTRUMENTS:

(a) Current assets and liabilities:
The carrying value of financial instruments in current assets and liabilities approximate fair values based on the short-term maturity of those instruments.

(b) Long-term debt and subordinated notes:
Long-term debt, which was refinanced on August 25, 2000 (see note 10), is recorded on the balance sheet at a cost amount of $100 million which approximates its fair market value. The fair value of the subordinated notes is not practicable to determine given the many factors terms and conditions that would influence such a determination.

18. FINANCIAL INSTRUMENTS (continued):

(c) Foreign exchange contracts:

The Company's activities which result in exposure to fluctuations in foreign currency exchange rates consist of the purchasing of raw sugar and the selling of refined sugar. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract in which the Company has an unrealized gain fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

The Company established a hedging program in 2000 to mitigate the effects of gas price changes on its operating margins and overall profitability. The Company also monitors its hedging positions and the credit ratings of its couterparties and does not anticipate losses due to counterparty non-performance. At September 30, 2000, the Company has hedged approximately 55% of the estimated fiscal 2001 gas consumption and outstanding gas futures had an unrealized gain position of approximately $1,150,000.

Forward foreign exchange contracts have maturities of less than two years and relate exclusively to U.S. currency. The couterparty to these contracts is a major Canadian financial institution. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

As at September 30, 2000, the Company had outstanding forward foreign exchange contracts with maturities of less than two years to sell US currency aggregating US$18,504,000 (1999 - US$10,006,000). Outstanding forward foreign exchange contracts had an unrealized gain position of approximately $497,000 (1999 - unrealized loss of $333,000). The net positions are sensitive to changes in foreign exchange rates.

(d) Trade receivables:

The Company grants credit to its customers under the ordinary course of business. Concentrations of credit risk are limited due to the broad base of consumers and their dispersion across different market segments.

19. COMMITMENTS AND CONTINGENCIES:

Environmental matters:

The Company is subject to laws and regulations concerning the environment and to the risk of environmental liability inherent to its activities relating to its past and present operations. In addition, certain inactive subsidiaries and former subsidiaries are or could be named party to certain claims in respect of environmental matters. The Company has obtained at the time of the acquisition by RSIF an environmental indemnification for matters existing as at October 8, 1997. The Company has also insurance to cover costs incurred for environmental matters. Although the effect on operating results and liquidity, if any, cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Company's financial condition.

20. COMPARATIVE FIGURES:

Certain of the 1999 comparative figures have been reclassified to conform with the basis of presentation adopted in the current year.

Rogers Sugar Income Fund

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ANNUAL MEETING:
The annual meeting of unitholders will be held at 1:30 PM February 8, 2001 at the Toronto Marriott Eaton Centre 525 Bay Street, Toronto, Ontario

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